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In the Supreme Court of the United States

OCTOBER TERM, 1984

AVCO CORPORATION,
Petitioner,

vs.

PRECISION AIR PARTS, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

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QUESTIONS PRESENTED

Was petitioner deprived of due process in violation of the Fifth and Fourteenth Amendments by the failure to give petitioner "full and fair opportunity" to litigate the *res judicata* issue, in that:

(1) *Res judicata* was interpreted to cover claims not even in existence at the time of the first litigation;

(2) Petitioner was again deprived of pretrial discovery, with the appeals court again resolving fact issues;

(3) The standard of appellate review was improperly switched from review of summary judgment to a "clearly erroneous" standard; and

(4) The appeals court's patent mistake in state law was preserved and given additional effect.

PARTIES

Petitioner, Avco Corporation, respectfully prays a writ of certiorari to issue to review the judgment and opinion of the United States Court of Appeals for the Eleventh Circuit entered in this case on July 24, 1984. All of the parties in the United States Court of Appeals for the Eleventh Circuit are listed in the caption.[1]

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1. No parent corporations, subsidiaries, or affiliates of the petitioner, Avco Corporation, exist.

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OPINIONS BELOW

The opinion and Order of the U.S. District Court for the Middle District of Alabama, Northern Division (App. A) are not officially reported. The opinion of the U.S. Court of Appeals for the Eleventh Circuit is reported at 736 F.2d 1499. Also highly relevant is an opinion by the Eleventh Circuit in previous litigation involving the same parties; it is reported at 676 F.2d 494.

JURISDICTION

The judgment of the Court of Appeals was entered on July 24, 1984. A Suggestion for Rehearing En Banc and Petition for Rehearing was timely filed on August 13, 1984. Both were denied on September 4, 1984. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS AND RULES INVOLVED

Amendment V: "No person shall be . . . deprived of life, liberty or property without due process of law; . . ."

Amendment XIV: "Section I: . . . nor shall any state deprive any person of life, liberty or property without due process of law, . . ."

Rule 56(c), F. R. Civ. P.: "[Summary] judgment shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law."

STATEMENT OF THE CASE

Because acquaintance with the prior litigation is necessary to understand the issues involved herein, we summarize it briefly:

Petitioner Avco Corporation designs and manufacturers aircraft engine parts. In 1979, it sued respondent Precision in the U.S. District Court for the Middle District of Alabama for trade secret misappropriation and common law copyright infringement in connection with certain engine parts. The District Court granted summary judgment to Precision, holding Avco's complaint was barred either (a) by an Alabama one-year statute of limitations, or (b) the provisions of the then recently-enacted Copyright Revision Act, 17 U.S.C. § 301(b)(2), which, it said, preempted that portion of Avco's complaint not barred by the aforesaid statute of limitations (Case No. 1) (App. B).

The summary judgment was appealed by Avco to the U.S. Court of Appeals for the Eleventh Circuit, which affirmed, 676 F.2d 494. The Court of Appeals stated it would "preempt the preemption question", 676 F.2d, at p. 498, and decided the case on facts it resolved at the appellate level from what it admitted was the limited record before it, holding such facts indicated the one-year statute of limitations alone justified affirmance of the summary judgment for Precision. While the Eleventh Circuit's opinion speaks for itself, its ruling found facts relating to six parts alone.

Such decision was issued May 17, 1982. The court overruled a motion for rehearing on June 28, 1982. On July 12, 1982, the Alabama Supreme Court decided *National Surety Corporation v. Applied Systems, Inc.* 418 So.2d 847 (Ala. 1982), ruling that intangibles (such as trade secrets) could be the subject of conversion under Alabama law. Such ruling meant application by both the Court of Appeals and the District Court of the aforesaid one-year statute of limitations had been erroneous. Believing that (a) the Court of Appeals' opinion had been limited to six parts alone, and (b) Alabama law was determined to be different from that relied on and applied by the Court of Appeals, Avco brought suit on August 5, 1982, against Precision in the Circuit Court of Montgomery County, Alabama, for conversion of a number of other aircraft engine part designs and processes (Case No. 2).

On September 3, 1982, Precision filed suit in the U.S. District Court for the Middle District of Alabama, complaining the state court suit filed by Avco constituted an abuse of process (Case No. 3). It also asked the court to protect and effectuate its previous judgment. Avco filed its answer and a 93-count counterclaim based on Precision's conversion of some 93 aircraft engine replacement

part designs and processes. A jury trial of all issues was demanded.

Again before completion of pretrial discovery, Precision moved for summary judgment on sixty (60) of the counterclaim's 93 counts. On June 24, 1983, the District Court sustained Precision's motion for summary judgment on 44 counts and overruled it as to 16 counts. The District Court based its ruling as to the 44 counts on its belief they were "barred by *res judicata* and collateral estoppel."

Pursuant to 28 U.S.C. § 1292(b), both the District Court and the U.S. Court of Appeals for the Eleventh Circuit granted Avco permission to appeal the District Court's decision. Instead of the usual standard of review of summary judgment, it applied a "clearly erroneous" standard. It ruled the District Court's finding that the 44 parts as to which summary judgment had been granted were involved in the prior federal suit and thus were barred by *res judicata* and collateral estoppel was not "clearly erroneous".

Contrary to cases decided by this Court, the Court of Appeals ruled the subsequent *National Surety* decision did not remove the *res judicata* effect of the prior decision. It ruled *inter alia* the doctrines of *res judicata* and collateral estoppel applied to causes of action which were not even in existence at the time of the prior litigation.

REASONS FOR GRANTING THE WRIT

Petitioner's Rights Of Due Process Have Been Violated; Granting Certiorari Will Enable The Court To State Its Views On Several Aspects Of *Res Judicata* Application.

This case offers the Court the opportunity to state views it has not announced before as to application of *res judicata* in respect to a number of different issues and aspects. A writ of certiorari should be granted so that it may do so and to prevent a grave wrong.

As do all citizens, petitioner Avco Corporation is given certain rights by the 5th and 14th Amendments. It cannot be deprived of property without due process of law. While there are certainly fundamental differences between an absence of due process and merely erroneous proceedings, where a series of proceedings are so pervaded with completely erroneous and improper actions contrary to law, that line is crossed over from mere error into an absence of due process. *Roberts v. City of New York*, 295 U.S. 264 (1935), at p. 278.

While we cannot—and do not—here complain of the admittedly erroneous ruling in Case No. 1,[2] the *res judicata* and collateral estoppel effect here given such erroneous ruling in Case No. 1 has compounded the error admittedly made in that case and resulted in a bizarre series of rulings, all in the name of *res judicata*.

Taken cumulatively, the rulings of the Court of Appeals combine to produce a clear violation of those con-

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2. The Alabama Supreme Court ruling just two weeks later revealed the Eleventh Circuit to have been wholly in error in its ruling.

stitutional rights assuring each citizen it cannot be deprived of property without due process. As stated, we do not try to persuade this Court that due process means error-free decision. It does mean however a right to be heard and some semblance of adherence to legal precedent.

We attempt below to set forth to the Court some of the errors which taken cumulatively have deprived petitioner of its rights to due process by this heavy-handed application of *res judicata.*

* * * * * *

Before discussing the specific rulings for which this petition seeks review by certiorari, a brief background of this Court's recent pronouncements in the area of *res judicata* may be appropriate:

In *Brown v. Felsen,* 442 U.S. 127 (1979), this Court stated, at p. 132:

> Because res judicata may govern grounds and defenses not previously litigated, however, it blockades unexplored paths that may lead to truth. For the sake of repose, res judicata shields the fraud and the cheat as well as the honest person. It therefore is to be invoked only after careful injuiry.

This Court recently ruled in *Allen v. McCurry,* 449 U.S. 90 (1980), that *res judicata* is not to be applied, at pp. 94-5:

> . . . when the party against whom the earlier decision is asserted did not have a 'full and fair opportunity' to litigate that issue in the earlier case.

This requirement that there have been a "full and fair opportunity" to litigate in the prior case is echoed in this Court's recent decision in *Kremer v. Chemical Con-*

struction Corp., 456 U.S. 461 (1982), where it is applied so as to determine the "quality, extensiveness or fairness" of the procedures in the prior litigation, 456 U.S., at p. 480.

In *Montana v. U.S.*, 440 U.S. 147 (1979), this Court stated, 440 U.S., at p. 164, fn. 11:

> Redetermination of issues is warranted if there is reason to doubt the quality, extensiveness or fairness of procedures followed in prior litigation.

Kremer reaffirmed this, stating, 456 U.S., at p. 480:

> We have previously recognized that the judicially created doctrine of collateral estoppel does not apply when the party against whom the earlier decision is asserted did not have a 'full and fair opportunity' to litigate the claim or issue * * * 'Redetermination of issues is warranted if there is reason to doubt the quality, extensiveness or fairness of procedures followed in prior litigation.'

All will agree that wrongly used, *res judicata* (and its related doctrines of preclusion) can severely curtail constitutional rights of due process. In the name of judicial economy, the law is willing to take such chances of severely curtailing these rights. However, this Court's recent cases, quoted above, evidence this Court's continuing concern that in view of its drastic consequences *res judicata* be carefully applied. In this case, petitioner's rights to at least have a hearing have been denied by heavy-handed, almost thoughtless application of *res judicata*.

This case offers the Court an opportunity to state its view on *res judicata* as such doctrine interfaces with a number of separate issues:

(1) The possibility that *res judicata*, wrongly used, can "immunize" future acts (as it did here).

(2) The possibility that *res judicata,* wrongly applied, can be used to cut off pretrial discovery so as to prevent ascertainment as to whether it is even applicable to the particular facts (as it did here).

(3) The possibility that on review of a summary judgment granted on the basis of *res judicata,* fact issues are overridden by application of an erroneous and unapplicable standard of review (as they were here).

(4) The possibility that in the name of *res judicata* a federal court's errors in applying state law are given continued effect beyond the first claim to additional decisions (as they were here).

Even more importantly, this case offers the Court the opportunity to correct a grievous constitutional wrong.

(1) *Res Judicata* Was Interpreted To Cover Claims Not Even In Existence At The Time Of The First Litigation.

The appeals court wholly misconstrued § 757, Restatement, Torts, see this Court's opinion in *Ruckelshaus v. Monsanto Co.,* 52 L.W. 4886, at p. 4890 (June 26, 1984). It completely failed to distinguish between separate misappropriations and conversions of different parts. The direct result of this was the anomalous ruling (736 F.2d, at 1505) that parts not yet even misappropriated are somehow included in the claims supposedly barred by *res judicata*/collateral estoppel. In other words, failure to properly interpret § 757's clear distinction between separate torts as to different trade secrets, results in a future immunity, *i.e.,* the barring of one set of claims also serves to bar claims not even in existence at the time of the first ruling.

Certainly the appeals court did not intend such dismaying results, for it carries *res judicata* far beyond any reason-

able limits. In *Dawkins v. Nabisco, Inc.*, 549 F.2d 396 (5th Cir. 1977), the Fifth Circuit stated, at p. 397:

> Among the goals of the *res judicata* doctrine is inducing litigants to economize on lawsuits, but we could not possibly expect Dawkins to litigate a claim based on 1975 retaliation in a lawsuit that terminated in 1973. Were we to rule that the 1973 adjudication was somehow dispositive of the factual dispute regarding alleged subsequent retaliation, a company that had once won a suit alleging retaliation for participation in Title VII proceedings would be free to retaliate at will against the earlier plaintiff without fear of being held accountable for its actions. The law of *res judicata* establishes no such result. The judgment in the earlier suit does not bar Dawkins' 1976 action. [Footnote omitted.]

Similarly, in *Exhibitors Poster Exchange, Inc. v. National Screen Serv. Corp.*, 421 F.2d 1313 (5th Cir. 1970), the Fifth Circuit said, at p. 1316:

> The [*res judicata*] doctrines must be used, however, not as clubs but as fine instruments that protect the litigant's right to a hearing as well as his adversary and the courts from repetitive litigation. In addition, it must be remembered that the use of these doctrines can cloak a party in perpetual immunity and thus possibly protect conduct lasting long past the prior judgment—conduct that the law may grow to abhor.

See also, Wright, Miller & Cooper: *Federal Practice & Procedure: Jurisdiction*, § 4409, at p. 76.

Here, both lower courts ruled (the District Court implicitly; the Appeals Court specifically) that claims which had not yet even arisen at the time of the first suit were nevertheless "involved" in such first suit and therefore

protected by *res judicata* from assertion in Case No. 3. They "immunized" future actions by respondent.

We need not point out to this Court the constitutional infirmities of such application of *res judicata*. At the very least, such ruling should be considered by this Court so as to allow it to express its views on such an approach to application of *res judicata*.

(2) Petitioner Was Again Deprived Of Pretrial Discovery, With The Appeals Court Again Resolving Fact Issues.

In the face of this Court's requirement that because of its drastic consequences, "careful inquiry" must be made to ascertain whether or not on an assertion of *res judicata* a "full and fair opportunity" had been afforded appellant to litigate its claims in the earlier case (see *Brown v. Felsen*, 442 U.S. 127, 132 (1979); *Allen v. McCurry*, 449 U.S. 90, 94-5 (1980)), the appeals court gave no such "careful inquiry", reaching a decision patently contrary to the actual facts. The unfortunate result is that the appeals court's two decisions, taken together, denied petitioner the due process to which it is constitutionally entitled.

Even the briefest resumé of the proceedings reveals this. Worse, the appeals court's opinion contradicts its own first opinion on just how sketchy the record was in Case No. 1. In its first opinion, the appeals court had stated, 676 F.2d, at p. 496:

> The district court made no definitive determination due to the way it handled the case. * * * All the district court had before it was the complaint, the respective interrogatories, and answers from each side and several affidavits.

Despite this and contrary to the facts, the appeals court here says petitioner "had a full opportunity to litigate this issue", 736 F.2d, at 1504. It refers to "The depositions there", 736 F.2d, at 1502, which it says help "reveal that the 44 parts were included in Case No. 1", despite the fact there were no such depositions in the record. Indeed, the record in the first case was not even before the district court here, an omission which the appeals court itself had criticized in *Concordia v. Bendekovic,* 693 F.2d 1073, 1076 (11th Cir. 1982), saying such first case record is a requirement on consideration of a *res judicata* defense.

Despite such repeated assertions that a "full and fair opportunity" was provided, the plain truth remains petitioner had *no* hearing, *no* chance to present its claims. The torturous path of this litigation demonstrates the obvious fact that Avco's claims have simply never been heard. Briefly stated, that history shows:

1. Before completion of pretrial discovery in Case No. 1, the district court, seeking an appellate decision on the preemption issue of 17 U.S.C. § 301(b)(2), granted summary judgment on the basis of only two undisputed facts.

2. The appeals court then "preempted" the preemption issue, and itself determined facts on the basis of what it admitted was an incomplete record on appeal. Its ruling rested on such incomplete record and on an interpretation of the relevant statute of limitations, which ruling was shortly thereafter revealed to be utterly mistaken.

3. In Case No. 3, summary judgment was again granted prior to completion of pretrial discovery and without the record of Case No. 1 before the district court.

4. On the interlocutory appeal, even though both parties agreed review was to be that of an Order entering summary judgment, the appeals court on its own switched to a "clearly erroneous" standard, and found it was not "clearly erroneous" to find appellant had had a "full and fair opportunity" to litigate its claims in the first case (see No. 3, *infra*). In doing so, the Court also misinterpreted § 757 to encompass as one tort many different takings of separate parts, which ruling also allowed it to reach the patently erroneous holding that misappropriations which had not even occurred at the time of the first suit were nevertheless to be deemed included as having been litigated (see No. 1, *supra*).

Taken all in all, any fair-minded view of this record must inevitably lead to the conclusion that petitioner has not had a "full and fair opportunity" to litigate its claims. Whether it be cutting off of discovery twice; or fact determination by the appeals court at the appellate level (contrary to *Fountain v. Filson,* 336 U.S. 681, 683 (1949)); or being at least twice mistaken in its view of Alabama trade secret/proprietary rights law; or switching from the summary judgment before it to a "clearly erroneous" standard, the fact remains petitioner was denied any sort of meaningful hearing.

Recent decisions of this Court have again reemphasized the due process requirement that a litigant (even a large corporation) be given a hearing in respect to its claims. In *Marshall v. Jerrico, Inc.,* 446 U.S. 238, 241 (1980), Justice Marshall referred to the due process requirement as "insuring that no person will be deprived of his interests in the absence of a proceeding in which he may present his case . . ." Here petitioner never had an opportunity to present its case.

Similarly, in another recent case, this Court stated, *Logan v. Zimmerman Brush Co.*, 455 U.S. 422 (1982), at p. 433:

> As our decisions have emphasized time and again, the Due Process Clause grants the aggrieved party the opportunity to present his case and have its merits fairly judged. Thus it has become a truism that '*some* form of hearing' is required before the owner is finally deprived of a protected property interest. *Board of Regents v. Roth*, 408 U.S., at pp. 570-571, n.8. [Court's emphasis.]

It may be here appropriate to reiterate the very basis of this suit is that many items of property have been misappropriated. Improper acts have been committed. It was not petitioner who did this misappropriating; yet the vigor with which petitioner has been denied any hearing as to such misappropriations makes it seem as if it were. On this very point, this Court stated, *Brown v. Felsen*, 442 U.S. 127 (1979), at p. 132:

> Because *res judicata* may govern grounds and defenses not previously litigated, however, it blockades unexplored paths that may lead to truth. For the sake of repose, *res judicata* shields the fraud and the cheat as well as the honest person. It therefore is to be invoked only after careful inquiry.

The plain truth is neither in the first suit, nor in the second, did petitioner receive such "careful inquiry", its day in court. It has truly been denied due process in seeking remedy for wrongs done it. Elementary fairness (which is what due process really is) requires a hearing.

We again earnestly ask this Court to review this record, so as to determine if indeed petitioner has not been

cut off from any meaningful opportunity to litigate its claims. We respectfully submit such review will inevitably lead to the conclusion due process has indeed been denied by the lower courts' eagerness to apply *res judicata.*

(3) The Standard Of Appellate Review Was Improperly Switched From Review Of Summary Judgment To A "Clearly Erroneous" Standard.

The Eleventh Circuit requires (Rule 22(f)(7)(iii)) an appellant to set forth in its Brief the Standard or Scope of Review. Since this interlocutory appeal was from an Order granting summary judgment prior to completion of pretrial discovery, petitioner stated review should be that for an Order granting summary judgment prior to completion of pretrial discovery, citing Eleventh Circuit opinions in *Impossible Electronic Techniques, Inc. v. Wackenhut Protective Systems, Inc.*, 669 F.2d 1026, 1030-1 (11th Cir. 1982) and *Clark v. Union Mut. Life Ins. Co.*, 692 F.2d 1370, 1372 (11th Cir. 1982).

Respondent agreed, stating, at p. 9 of its Brief:

> The standard or scope of review has been properly stated in appellant's brief.

However, the Court of Appeals' opinion was expressly based on a "clearly erroneous" standard, which has implicit within it the idea that allowable fact finding has been undertaken by the district court. The "clearly erroneous" standard is used to dispose of at least three issues, see 736 F.2d 1502, 1505. The Court of Appeals is totally silent on why such a switch was made. It does not explain why the usual rules as to summary judgment review do not apply.

A "clearly erroneous" standard reviews findings of fact made by the district court and reverses them only if they are palpably contrary to the evidence. On the other hand:

> In reviewing a decision granting or denying a summary judgment, this court applies the same legal standards as those that control the district court in determining whether summary judgment is appropriate.

Clark v. Union Mut. Life Ins. Co., 692 F.2d, at p. 1372.

The "legal standards . . . that control the district court", to which Judge Fay was referring, include:

> The party seeking summary judgment bears the exacting burden of demonstrating that there is no actual dispute as to any material fact in the case . . . A court must not decide any factual issues it finds in the record, but if such are present, the court must deny the motion and proceed to trial.

Impossible Electronic Techniques, Inc. v. Wackenhut Protective Systems, Inc., 669 F.2d, at pp. 1030-1. It need hardly be said that switching the scope or standard of review right in the middle of an appeal, without explanation or justification, substantially changed the rules. To this minute, we remain unaware of how or under what justification such switch was made.

Unquestionably, use of the "clearly erroneous" standard not only allowed the district court to make factual determinations (contrary to the parties' understanding of a summary judgment motion), but also eased considerably the appeals court's task in dealing with petitioner's contentions. That still does not make it right. Such unannounced and unjustified transition from one standard to another, carrying with it a fact-finding function repeatedly de-

nounced in a summary judgment context, is nowhere justified or explained, if any justification or explanation is possible.

While we assume (but do not really know) the unexplained switch was somehow related to application of *res judicata, Rufenacht* (cited at 736 F.2d 1502 as authority for use of the "clearly erroneous" standard) was a non-jury case and specifically related its use of the "clearly erroneous" standard to Rule 52, 656 F.2d, at p. 204. It had nothing to do with *res judicata.* In this case a jury was demanded, and it was under Rule 56 that the summary judgment under review had been granted.

Clearly, the appeals court erred. Again, we emphasize our understanding that due process does not require error-free decisions. But when such errors pervade every thread of the case's fabric (as here), they amount cumulatively to a deprivation of due process. In addition, as stated above, this issue, as with the others here enumerated, has given this Court the opportunity to state its views as to how such standard of review interfaces with a summary judgment based on *res judicata.*

(4) The Appeals Court's Patent Mistake In State Law Was Preserved And Given Additional Effect.

In Case No. 1, the appeals court patently applied the wrong statute of limitations, mistakenly ruling that because these were intangibles, the one-year rather than the six-year limitation period applied. Its error was soon thereafter made apparent by the Alabama Supreme Court, *National Surety Corp. v. Applied Systems, Inc.*, 418 So.2d 847 (Ala. 1982). Now, in this case, after the Alabama Supreme Court has expressly extended § 757 to this ex-

act situation, *Drill Parts & Service Co. v. Joy Mfg. Co.*, 439 So.2d 43 (Ala. 1983), the appeals court has again erred by preserving and giving additional effect to its first mistake. It also compounds its error of state law by improperly interpreting § 757 (see No. 1, *supra*). Its latter error, which is basic and fundamental, is in failing to distinguish between separate acts of misappropriation, each constituting a different cause of action under § 757. The appeals court's ruling incorrectly lumped together separate misappropriations of different parts, done at separate times, and treated them as one tort.

Where there has been an intervening change of law, *res judicata* is inapplicable, *State Farm Mutual Automobile Ins. Co. v. Duel*, 324 U.S. 154 (1945); 46 Am. Jur.2d, *Judgments*, § 444, at pp. 614-6; *Utter v. Franklin*, 172 U.S. 416 (1899); *Blair v. Commissioner*, 300 U.S. 5, 9 (1936).

In *State Farm v. Duel*, this Court stated, 324 U.S., at p. 162:

> [I]t is nevertheless the general rule that *res judicata* is no defense where between the time of the first judgment and the second there has been an intervening decision or a change in the law creating an altered situation. [Citing many cases.]

In *State Farm*, the Wisconsin Supreme Court had rendered an intervening decision which effectively changed the law governing the claims in question. This Court ruled that where such intervening decision had changed the law, the altered situation removed the *res judicata* effect of the first litigation. It characterized a change in the law resulting from a decision by the Wisconsin Supreme Court as, 324 U.S., at p. 161:

> . . . a supervening event arising in the course of this litigation. We do not think appellant should be prej-

> udiced by the fact that the decision came too late for it to obtain a ruling by the Wisconsin Court.

See also *Patterson v. Alabama*, 294 U.S. 600, 607 (1935).

The appeals court's predecessor, the Fifth Circuit, agreed. In *Moch v. East Baton Rouge Parish School Board*, 548 F.2d 594, 598 (5th Cir. 1977), the Fifth Circuit ruled an intervening change in the law nullified the *res judicata* effect of a prior decision. See also *Jackson v. DeSoto Parish School Board*, 585 F.2d 726, 729 (5th Cir. 1978).

In *Blair, supra*, a judgment relating to a trust's taxability in one tax year was pleaded as *res judicata* to its taxability in another tax year. In the interim, state law had been determined to have a different effect on its taxability. Chief Justice Hughes stated, 300 U.S., at p. 9:

> Here, after the decision in the first proceeding, the opinion and decree of the state court created a new situation . . . The supervening decision of the state court interpreting that law in direct relation to this trust cannot justly be ignored in the present proceeding so far as it is found that the local law is determinative of any material point in controversy.

This Court denied the *res judicata* plea. See also *Montana v. U.S.*, 440 U.S. 147, 159 (1979) ("changes in facts essential to a judgment will render collateral estoppel inapplicable in a subsequent action raising the same issues.").

The Alabama Supreme Court's *National Surety* decision, making clear the application of the six-year limitation period to this situation, removes any *res judicata* effect here. In its counterclaim, petitioner alleges (see, *e.g.*, paragraph No. 10) the same elements for conversion set forth by the Alabama Supreme Court in *National Surety*,

418 So.2d, at p. 849. In *National Surety,* the Court held Alabama Code 1975, § 6-5-260, made no distinction between tangible and intangible personal property, thus making the six-year statute of limitations applicable. Such intervening decision indicates application of the catch-all one-year limitation period in the first suit is not proper here. While the error in the first decision cannot be changed, it serves to remove any *res judicata* effect on this matter.

Despite its obvious mistake made evident by *National Surety,* the appeals court here persists in its error. Its rationale is, first, to distinguish this Court's above decisions as being "outdated" and not involving "significant" or "momentous" rights; and second, to derive some comfort from language in *Drill Parts, supra.*

The appeals court's distinction (as to "momentous" or "significant" cases or rights) is especially difficult to understand since it appears on the same page (736 F.2d 1503) with a footnote stating the judicial policy the appeals court is there effectuating by applying *res judicata* "adds certainty and stability to social institutions", "generates public respect for the courts", "conserves judicial time and resources", "supports several private interests", avoids "substantial litigation expenses", protects "from harassment or coercion", and avoids "inconsistent judgments". We respectfully submit the appeals court by such recital showed this case to indeed be "significant" and involving rights which are certainly "important" and "fundamental". As such, this case merits consideration as being fully within those "outdated Supreme Court cases and two of our recent opinions" which hold that "where new court decisions change the law, the *res judicata* effect of the first litigation is removed", see 736 F.2d 1503-04.

"Outdated" is also inaccurate. Just a few months ago, in *Kirksey v. City of Jackson*, 714 F.2d 42 (5th Cir. 1983), the appeals court quoted from *State Farm v. Duel*, 324 U.S. 154 (1945), that:

> [*R*]*es judicata* is no defense where between the time of the first judgment and the second there has been an intervening decision or a change of the law creating an altered situation.

714 F.2d, at p. 44. *Kirksey* involved no more momentous or significant rights than are here involved.

The comfort attempted to be derived from *Drill Parts* is equally without foundation. The portion of *Drill Parts* quoted (fn. 2, 736 F.2d 1502) expressly states it is simply Drill Parts' *contention* that the "applicable statute of limitations is one year". It certainly does *not* say this is the law.

We respectfully urge this Court to grant certiorari so as to review *inter alia* the appeals court's clear misinterpretations of state law as to (a) the one-year limitation period, and as to (b) whether the separate taking of each part constitutes but one tort, does not constitute a deprivation of due process. In doing so, this Court will (a) help redress the patent deprivation of petitioner's constitutional rights of due process, and (b) enable it to address the situation where a federal court has misinterpreted state law and then attempted to give its error continuing effect through application of *res judicata*.

CONCLUSION

For the reasons and authorities cited above, petitioner's Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX A

(Filed June 24, 1983)

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF ALABAMA
NORTHERN DIVISION

CIVIL ACTION NO. 82-628-N

PRECISION AIR PARTS, INC.,
Plaintiff,

vs.

AVCO CORPORATION,
Defendant.

ORDER

In accordance with the Opinion entered in the above-styled cause on this date, it is

ORDERED by this Court that Plaintiff Precision's motions for summary judgment filed herein April 12, 1983, be, and the same are hereby, granted as to the following 44 counts of the counterclaim: 11, 17, 18, 19, 20, 23, 24, 27, 28, 34, 35, 36, 37, 38, 40, 30, 31, 32, 33, 41, 42, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 56, 58, 59, 61, 63, 64, 65, 72, 75, 77, 90, 92 and 93. Said motions are denied in all other respects.

This Court hereby reserves judgment on the questions of expenses and attorneys' fees until the termination of litigation in the entire case.

DONE this 24th day of June, 1983.

/s/ R. E. Varner
United States District Judge

(Filed June 28, 1983)

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF ALABAMA
NORTHERN DIVISION

CIVIL ACTION NO. 82-628-N

PRECISION AIR PARTS, INC.,
Plaintiff,

vs.

AVCO CORPORATION,
Defendant.

ORDER

Pursuant to Rule 60(b), Federal Rules of Civil Procedure, it is

ORDERED by this Court that the Opinion entered in the above-styled cause on June 24, 1983, be, and the same is hereby, amended as follows:

1. By striking "cert. pending U.S. Supreme Court, No. 82-533" from lines 5 and 6 of Paragraph 3 on page 2 and substituting therefor "cert.den.No. 82-533, November 29, 1982)".
2. By striking Footnote 1/ on page 5 and substituting therefor: 1/Either the motions or the supporting affidavits show that a factual issue exists as to these counts.

Said Opinion shall otherwise remain in full force and effect.

DONE this 28th day of June, 1983.

/s/ R. E. Varner
United States District Judge

(Filed June 24, 1983)

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF ALABAMA
NORTHERN DIVISION

CIVIL ACTION NO. 82-628-N

PRECISION AIR PARTS, INC.,
Plaintiff,

vs.

AVCO CORPORATION,
Defendant.

OPINION

This cause is before the Court on Plaintiff Precision's 60 motions for summary judgment filed herein April 12, 1983, and on Defendant Avco's brief in response thereto filed herein May 16, 1983.

FACTS

The pleadings, answers to interrogatories, admissions and affidavits submitted to this Court, when construed in a light most favorable to the nonmoving party, disclose the following facts for this Court to consider.

1. Avco is a corporation organized and existing under the laws of the State of Delaware, having its principal place of business at Greenwich, Connecticut. Precision is a corporation organized and existing under the laws of the State of Alabama, having its principal place of business at Wetumpka Municipal Airport, Elmore County, Alabama.

2. On June 12, 1979, Avco filed suit in this Court against Precision for "trade secret misappropriation", "unfair competition", "common law copyright infringement", "an accounting", "injunction", "actual and punitive damages", "attorneys' fees", and other claims for relief. This Court takes judicial knowledge and notice of this prior litigation, that being Civil Action No. 79-275-N in this Court of Appeal No. 80-7772 in the United States Court of Appeals for the Fifth and Eleventh Circuits.

3. On May 17, 1982, the United States Court of Appeals for the Eleventh Circuit affirmed this Court and expressly held that Avco's claims for trade secret misappropriation were barred by the Alabama one-year statute of limitations. *Avco Corp. v. Precision Air Parts*, 676 F.2d 494 (11th Cir. 1982), cert. pending U.S. Supreme Court, No. 82-533.

4. On June 5, 1982, Avco filed a petition for rehearing en banc, complaining that the District Court and the Appellate Court erred by treating Avco's trade secrets as a single body of information merely because Avco lumped all of its trade secrets into one count. The Eleventh Circuit Court of Appeals rejected Avco's attempt to rewrite its complaint by splitting its cause of action for trade secret misappropriation into a multiplicity of suits, and, thus, Avco's petition for rehearing was denied on June 28, 1982.

5. On August 5, 1982, the United States Court of Appeals for the Eleventh Circuit mailed a certified copy of the judgment in Appeal No. 80-7772 to this Court. On this same date, Avco filed an 87-page, 234-count complaint in the Circuit Court of Montgomery County, Alabama (Case No. 82-1062-T). On September 3, 1982, Precision filed a complaint in this Court for Avco's alleged abuse of process.

6. On November 9, 1982, this Court denied Avco's motion to dismiss the complaint. In the motion to dismiss, Avco contended that Precision's suit for abuse of process in the State Court should be dismissed on several grounds. This Court denied each of these contentions and went further to state that "[t]his Court is of the opinion * * * that Avco may be seeking, by a multiplicity of suits, to avoid the results of the original suit and delay exercise of rights vindicated thereby." [See Opinion of this Court filed November 9, 1982, p. 4].

7. On November 30, 1982, Avco filed, as part of its response to Precision's complaint, a 93-count counterclaim. It is this counterclaim that is the subject of Precision's motions for summary judgment.

CONCLUSION

Precision has filed 60 separate and independent motions for summary judgment which relate to 60 of the 93 parts contained in Avco's 93-count counterclaim. Precision contends that 44 of the motions for summary judgment are based on res judicata; 15 of the motions relate to different parts that Precision has never manufactured, never sold and for which Precision has never acquired a PMA (FAA authority to manufacture and sell); and one of the motions relates to a part which is approved by testing, not on the basis of an identical drawing. This Court will address each of the motions as they are grouped by Precision.

PRECISION'S MOTIONS ON 44 PARTS: Precision contends that there is no genuine issue as to any material fact which is relevant to its complete defense of res judicata, collateral estoppel, estoppel by judgment and claim preclusion, and, therefore, Precision is entitled to a judgment as a matter of law as to the following 44 counts

of the counterclaim: 11, 17, 18, 19, 20, 23, 24, 27, 28, 34, 35, 36, 37, 38, 40, 30, 31, 32, 33, 41, 42, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 56, 58, 59, 61, 63, 64, 65, 72, 75, 77, 90, 92 and 93. Attached to each motion is a supporting affidavit of E. B. McCune, Jr., President of Precision. Each affidavit states that the particular part or process number, which is the subject of the respective motion, "was expressly included in the prior case and referred to by the same exact part or process number in the prior case of *Avco v. Precision,* Civil Action No. 79-275-N, in this [C]ourt." [See Affidavits of E. B. McCune attached to each motion]. Even though the facts vary from motion to motion as to how each part or process was included in the prior case, this Court is convinced that each part or process was fully litigated in the prior case and, therefore, is barred by res judicata and collateral estoppel. It is this Court's opinion that each part or process was actually litigated and actually determined in the prior case and should be barred from relitigation in the pending suit. *United States v. International Building Co.,* 345 U.S. 502, 97 L.Ed. 1182 (1952); *Matter of Merrill,* 594 F.2d 1064 (5th Cir. 1979). As a result, all 44 of the aforesaid motions for summary judgment are due to be granted.

PRECISION'S MOTIONS ON 15 PARTS: Precision contends that its motions for summary judgment should be granted in its favor due to the fact that Precision has never manufactured, never sold and has never acquired a PMA. Avco contends that, as to these parts, there has been a wrongful misappropriation of Avco data. In Paragraphs 10 and 13 of the counterclaim, Avco contends that there has been a misappropriation of Avco data, and as a result, Avco has suffered damages.

It is this Court's opinion that the motions for summary judgment address only the fact that Precision does not

manufacture the parts. There is no denial of misappropriation or wrongful taking on the part of Precision.[1] Therefore, this Court is of the opinion that there remains open several factual questions which have not been determined by the pleadings, answers to interrogatories, admissions or affidavits. As a result, the motions for summary judgment as to these 15 parts are due to be denied.

PRECISION'S MOTION ON ONE PART: Precision contends that a motion for summary judgment should be granted in its favor due to the fact that one part (Count 14) was approved by testing, not on the basis of an identical drawing. Again, there is no denial by Precision of a wrongful taking of a drawing. There is still a factual dispute as to whether or not such a drawing exists. Therefore, this Court is of the opinion that there remains open the factual question of the drawing, and the motion for summary judgment as to the one part (Count 14) is due to be denied.

This Court notes that it would appear that the remaining 33 counts or parts from Avco's counterclaim also may have been previously litigated in the prior case and thereby barred by res judicata and collateral estoppel. These possibilities were not pointed out in Plaintiff's motion. Therefore, this Court will not address the remaining 33 counts.

This Court is further of the opinion that, pursuant to 28 U.S.C. § 1292(b), this Opinion and the Order to be entered in accordance with this Opinion involve a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the ruling may materially advance the ultimate termina-

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1. Neither the motions, nor the supporting affidavits, show that a factual issue exists as to theses counts.

tion of the litigation. Therefore, this Court will certify this Opinion and Order to be entered in accordance with this Opinion for an interlocutory appeal to the United States Court of Appeals for the Eleventh Circuit.

This Court will reserve judgment on the questions of expenses and attorneys' fees until the termination of litigation in the entire case.

An Order will be entered in accordance with this Opinion.

DONE this 24th day of June, 1983.

/s/ R. E. Varner
United States District Judge

APPENDIX B

(Filed September 4, 1980)

IN THE UNITED STATES DISTRICT COURT FOR
THE MIDDLE DISTRICT OF ALABAMA
NORTHERN DIVISION

CIVIL ACTION NO. 79-275-N

AVCO CORPORATION,
Plaintiff,

vs.

PRECISION AIR PARTS, INC.,
Defendant.

MEMORANDUM OPINION

Before the Court is Defendant's motion to dismiss or, in the alternative, motion for summary judgment filed herein January 21, 1980. In its complaint filed herein June 12, 1979, Plaintiff alleged State causes of action for misappropriation of trade secrets, unfair competition and common law copyright infringement. Defendant contends that Plaintiff's State causes of action are preempted by the Copyright Revision Act of 1976, 17 U.S.C. § 301. Upon consideration of the aforesaid motion, the affidavits, the answers to interrogatories and the briefs filed herein, this Court is of the opinion that, in this case of first impression, the Defendant's motion for summary judgment should be granted.

FACTS

A review of the record, when construed in the light most favorable to Plaintiff, reveals the following material facts:

1. Plaintiff and Defendant are competitors in the manufacture and sale of replacement parts for gasoline airplane engines.

2. Manufacturers of replacement parts for aircraft engines, other than the original FAA certified manufacturer, must obtain a Parts Manufacturer Approval (PMA) from the FAA before it may sell replacement parts. 14 C.F.R., § 21.303. Defendant obtained several PMAs from the FAA for replacement parts for which Plaintiff is the FAA certified manufacturer. Since one method of obtaining a PMA is for an applicant to show that the design of the part is identical to the design of a part that is covered under a type certificate, Plaintiff alleges that Defendant has, "on information and belief, without proper authority obtained and improperly utilized copies of Lycoming proprietary drawings and specifications to obtain PMAs for replacement parts for Lycoming engines" (Complaint, ¶ 11). This constitutes the basis for Plaintiff's claim for misappropriation of trade secrets.

3. Plaintiff has also alleged that "[s]uch unlawful appropriation or misappropriation of the valuable trade secrets and confidential information of Lycoming constitutes unfair competition" (Complaint, ¶ 12).

4. The claim of common law copyright infringement is premised upon Plaintiff's allegation that, "on information and belief", the Defendant has "copied or duplicated, or caused additional copies or duplications to be made from, such original Lycoming drawings and specifications", which

Defendant has used to obtain PMAs from the FAA (Complaint, ¶ 20).

5. None of the engines utilizing the parts which are the subject matter of this action have been patented or made the subject of a patent application which is pending or has been withdrawn (Plaintiff's Answer to Interrogatory No. 4).

6. Plaintiff has not applied for registration of a claim to copyright on any of the parts designs or trade secrets which are the subject matter of this suit (Plaintiff's Answer to Interrogatory No. 18).

CONCLUSIONS OF LAW

Defendant contends that the causes of action alleged in Plaintiff's complaint are preempted by the Copyright Revision Act of 1976, 17 U.S.C. § 301(a).[1] This Court agrees.

For a cause of action to be preempted by the federal statute, the facts must relate to rights that are equivalent to the exclusive rights belonging to a copyright holder as specified in 17 U.S.C. § 106,[2] the works of authorship

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1. "(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State."

2. "§ 106. EXCLUSIVE RIGHTS IN COPYRIGHTED WORKS. Subject to sections 107 through 118, the owner of copyright under this title—(sic) has the exclusive rights to do and to authorize any of the following: (1) to reproduce the copy-

(Continued on following page)

must be fixed in a tangible medium of expression and the facts must concern a work which is within the subject matter of copyright as specified by §§ 102[3] and 103.[4]

Footnote continued—

righted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work; (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending; (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly."

3. "§ 102. SUBJECT MATTER OF COPYRIGHT: IN GENERAL. (a) Copyright protection subsists, in accordance with this title, in origina-(sic) works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; and (7) sound recordings.

"(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." Patent rights supplement where copyrights terminate. 35 U.S.C. §§ 1, *et seq.*

4. "§ 103. SUBJECT MATTER OF COPYRIGHT: COMPILATIONS AND DERIVATIVE WORKS. (a) The subject matter of copyright as specified by section 102 includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.

"(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such works, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material."

The essence of Plaintiff's complaint is that Defendant has copied its drawings and specifications and prepared derivative works based upon those drawings and specifications. Thus, the complaint fits squarely into § 106(1) and (2). It is undisputed that the drawings and specifications are "fixed in a tangible medium of expression". Finally, the drawings and specifications in issue could certainly be characterized as pictorial or graphic works. Thus, this Court is of the opinion that the requirements of 17 U.S.C § 301(a) are satisfied by the facts in this case.

The Congressional intent behind the Copyright Revision Act was to "preempt and abolish any rights or statutes of a state that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law" (Notes of Committee on the Judiciary, House Report No. 94-147). Thus, not only are common law copyright infringement actions preempted, but those actions "equivalent to copyright" are also preempted.

Count II of Plaintiff's complaint is "directed to Precision's infringement of Avco's common law copyright rights, is subsidiary and incident to Count I, and was brought in good faith to preserve Avco's rights" (Plaintiff's Memorandum in Opposition to Defendant's Motion to Dismiss or, In the Alternative, For Summary Judgment, p. 2). As a common law copyright infringement claim, it is specifically preempted by the Copyright Revision Act of 1976; however, if the cause of action arose before the effective date of the Copyright Revision Act (January 1, 1978), then it would not be affected by the preemption provisions. 17 U.S.C. § 301(b)(2). However, under Alabama law, the applicable statute of limitations for common law copyright infringement actions is one year [CODE OF ALABAMA, § 6-2-39 (a)(5)]. *Local Trademarks v. Rogers*, 73 F.Supp. 907 (N.D. Ala.), affm'd. *Local Trade-*

marks v. Price, 170 F.2d 715 (5th Cir. 1948). Since Plaintiff's complaint was not filed until June 6, 1979, the limitations period would bar the common law copyright infringement action if it arose before January 1, 1978. Thus, this Court is of the opinion that Plaintiff's common law copyright infringement claim does not state a cause of action upon which relief can be granted and is due to be dismissed.

Even though Plaintiff's causes of actions alleged in Count I of its complaint are based on the same set of facts as the common law copyright infringement claim in Count II, Plaintiff contends that they are not equivalent to copyright and, thus, not preempted by 17 U.S.C. § 301. This Court disagrees.

In Count I of its complaint, the Plaintiff has alleged State causes of action for misappropriation of trade secrets and unfair competition. Plaintiff relies heavily on the contention that, while Alabama does not have any statutes concerning misappropriation of trade secrets, it has adopted the view as expressed by the RESTATEMENT OF TORTS, §§ 757[5] and 759.[6] *McDonald's Corp. v. Moore*, 243 F. Supp. 255 (S.D. Ala. 1965), affm'd. 363 F.2d 435. However, that case was decided prior to the enactment of

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5. "One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if (a) he discovered the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or (c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other, or (d) he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake."

6. "One who, for the purpose of advancing a rival business interest, procures by improper means information about another's business is liable to the other for the harm caused by his possession, disclosure or use of the information."

the Copyright Revision Act of 1976. Furthermore, §§ 757 and 759 were omitted from the SECOND RESTATEMENT OF TORTS (1979).[7] Since McDonald's was decided prior to the enactment of the Copyright Revision Act of 1976 and it is the only case cited or divulged through the Court's independent research in support of Plaintiff's contention that Alabama has adopted the RESTATEMENT's view on misappropriation of trade secrets this Court is not convinced that Alabama does, in fact, recognize such a cause of action. However, if Alabama has adopted the RESTATEMENT view, jurisdiction is preempted—as in conflict with federal law—where it is based on a right within the scope of copyright or on a right equivalent thereto[8] or does not require the elements of an invasion of privacy, a trespass, a breach of trust or a breach of confidentiality.[9] This Court has already determined that Plaintiff's rights allegedly violated by Defendant—copying Plaintiff's drawings and specifications and preparing derivative works therefrom—are within the scope of copyright. 17 U.S.C. § 106(1) and (2). Plaintiff has not even alleged, much less shown that Defendant has com-

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7. It was explained in said treatise that these sections, along with other sections relating to unfair trade practices, were omitted because "these subjects have become substantial specialties in their own right, governed extensively by legislation and largely divorced from their initial grounding in the principles of tort" (p. VII).

8. " 'Misappropriation' is not necessarily synonymous with copyright infringement, and thus a cause of action labelled 'misappropriation' is not preempted if it is fact based neither on a right within the general scope of copyright as specified by section 106 [section 106 of this title] nor on a right equivalent thereto." Notes of Committee on the Judiciary, House Report No. 94-1476.

9. The common law rights of "trade secrets" are not preempted by the Copyright Revision Act of 1976 so long as the cause of action contains elements, "such as an invasion of personal rights or a breach of trust or confidentiality, that are different in kind from copyright infringement." Notes of Committee on the Judiciary, supra.

mitted any of the elements that allow the common law rights of "trade secrets" to avoid preemption. Thus, this Court is of the opinion that Plaintiff's cause of action for "misappropriation of trade secrets" is preempted by the Copyright Revision Act of 1976.

Plaintiff, however, contends that its cause for misappropriation of trade secrets is not affected by the statute in issue because it arose prior to January 1, 1978. 17 U.S.C. § 301(b)(2). However, this Court is of the opinion that this action neither arises from a contract nor is it specifically enumerated under any other statute of limitations. Thus, the one-year statute of limitations (CODE OF ALABAMA, § 6-2-39(a)(5) [1975]) would toll on Plaintiff's cause of action arising before January 1, 1978, by January 1, 1979. Thus, Plaintiff's complaint filed herein June 12, 1979, would not be timely filed unless, as Plaintiff insists, misappropriation of trade secrets is a "continuing tort" which is not barred until one year after the last wrongful act. See, *Garrett v. Raytheon Co.*, 368 So.2d 516 (Ala.Sup.Ct. 1979).[10] This Court is of the opinion that, if the cause of action arose at the time of an alleged misappropration occurring before January 1, 1978, the cause would be barred by the limitations period and if the misappropriation occurred on or after January 1, 1978, Congress preempted the field by providing a federal exclusive remedy.

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10. There is considerable federal authority indicating "that the injury to a plaintiff's interest occurs, and the statute begins to run, either at the time of misappropriation or when disclosure of the trade secret is made. See, *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288 (9th Cir. 1969); * * * *Shatterproof Glass Corp. v. Guardian Glass Co.*, 322 F.Supp. 854 (E.D. Mich. 1970), aff'd. 462 F.2d 1115 (6th Cir. 1972), cert.denied 409 U.S. 1039." *M & T Chemicals, Inc. v. International Bus. Mach. Corp.*, 403 F.Supp. 1145, 1148 (S.D. N.Y. 1975).

Plaintiff's allegation that the alleged misappropriation of trade secrets constitutes "unfair competition" is without merit. "Unfair competition generally consists of 'palming off' on customers, who are buying with ordinary care, the goods or business of one person as and for the goods or business of another." *Jefferson Home Furniture Co. v. Jefferson Furniture Co.*, 349 So.2d 5, 8 (Ala.Sup.Ct. 1977). Plaintiff does not allege, nor has it shown, that Defendant has falsely labeled, fraudulently represented or otherwise "palmed off" its product on Plaintiff's customers.

While a State may require that precautionary steps be taken to prevent customers from being misled as to the source of products, i.e., "palming off", it cannot prevent the copying of unpatented and uncopyrighted articles, since to do so would conflict with the federal patent and copyright laws.

> "To forbid copying would interfere with the federal policy, found in Art. I, § 8, I. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain. * * * But if the design is not entitled to a design patent or other federal statutory protection, then it can be copied at will." *Compco Corp. v. Day-Brite Lighting*, 376 U.S. 234, 237 (1964).

Thus, this Court is of the opinion that Plaintiff's unfair competition is preempted and is due to be dismissed.

For the reasons heretofore, discussed, this Court is of the opinion that Plaintiff's complaint fails to state a cause of action upon which relief can be granted and should be dismissed.

An Order will be entered in accordance with this Opinion.

DONE this 4th day of September, 1980.

/s/ R. E. Varner
United States District Judge

(Filed September 4, 1980)

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF ALABAMA
NORTHERN DIVISION

CIVIL ACTION NO. 79-275-N

AVCO CORPORATION,
Plaintiff,

vs.

PRECISION AIR PARTS, INC.,
Defendant.

ORDER

In accordance with the Memorandum Opinion entered in the above-styled cause on this date, it is

ORDERED by this Court that the Plaintiff's complaint, failing to state a cause of action upon which relief can be granted, be, and the same is hereby, dismissed, and the above-styled cause is hereby dismissed with costs taxed against the Plaintiff, for which execution may be granted.

DONE this 4th day of September, 1980.

/s/ R. E. Varner
United States District Judge